

Barbados^B

Barbados's open house to global business

Barbados has a long history of international trade, helping to underpin the English economy in the 17th and 18th century through the then vibrant sugar industry. As it looks to restart economic growth, the country now aims to revive that tradition by ramping up exports in its tourism, international business, finance and manufacturing sectors.

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A small nation that thinks big

Writer: Andrew Sim

OVERVIEW With a population of less than 300,000 and covering only 431 square kilometres, Barbados certainly punches above its weight, as industry and international business minister Donville Inniss points out. Having produced the most sublime sportsmen who have shown themselves capable of taking on the powerhouses of international cricket, this Caribbean country now wants to do the same for business

With a per-capita income of around \$16,000 a year - handily beating most other nations in the region - this friendly island not only boasts sun, sea and sand but can also draw on an educated workforce and stable and open government to advance its aim of further developing as an international business and financial services centre.

After several years in the doldrums in the wake of the global financial sector meltdown that

began in 2007, things are starting to look up again for the Barbadian economy. The central

“The major resource we have always been able to depend on is human capital”

Freundel Stuart
Prime minister of Barbados

bank forecasts real GDP is on track to grow 1.7 percent on average over the next five years. This comes after it expanded 0.5 percent in 2015 as the mainstay tourism sector, which accounts for about 12 percent of national output, enjoyed its best year since the crisis began, with arrivals up by 14 percent. The outlook for the sector looks rosy, with a number of new resorts due to come onstream, while targeted investment of \$1.3 billion in new capacity over the next five years



PERSPECTIVE



“We have to increase our foreign-exchange earning capacity”

Donville Inniss
Minister of Industry

Barbados's Going Global Programme aims to enhance the readiness of its export sector and boost shipments by 10 percent by 2017.

is projected to raise room capacity by 40 percent. The central bank's forecasts are backed up by the World Bank, which in its Global Economic Prospects 2016 report predicts that the next few years look “favourable” for the Caribbean area, a major source of trade for Barbados.

However, one area which government officials would be first to admit Barbados has been slow to realise its full potential is that of international business and financial services. Legislation to promote the second pillar of the domestic economy has been in place since 1965, but the sector didn't really start to take off until about a decade later, and the financial services segment has yet to fully recover from the 2007-2008 global crisis. According to the central bank, as of the end of December 2015, total financial assets under management stood at \$75 billion, down 10 percent from a year earlier. That said, currently, there are some 4,000 companies

The government's ambitious Going Global initiative aims to increase exports by 10 percent in 15-18 months

licensed in the sector, with a workforce of about 5,000 employees, contributing five percent to the national economy. In this respect, the 36 international tax treaties that Barbados has established have helped foster foreign direct investment (FDI) in the island. Barbados quite rightly bristles at the allegations lodged by the likes of former French president Nicolas Sarkozy that the island is a tax haven, as opposed to having a low-tax regime for FDI. Although Canada is not a major tourist market for Barbados, it is nonetheless the recipient of some eight percent of total Canadian global FDI, with companies attracted by a favourable dividend repatriation regime.

Despite the successes, there are still stiff challenges facing the domestic economy. As an import-reliant country, Barbados needs to increase its exports to boost its external account. The current account deficit was 4.7 percent of GDP in 2015, albeit down from 9.1 percent the previous



1. A view of the parliament building and the Central Bank in Bridgetown. Photo: Barry Haynes, CC BY-SA 4.0
2. The Chamberlain Bridge, originally built in 1872. Photo: Pgbk1987, CC BY-SA 3.0
3. Historic Bridgetown and its garrison is a UNESCO World Heritage Site. Photo: Anton_Ivanov | Shutterstock
4. A cruise ship calls at the Bridgetown port. Photo: Barbados Port Inc

year. Aware of this, the government has launched its ambitious Going Global initiative, with a view to increasing exports by 10 percent in the 15-18 months following its launch in September 2015. The forecast pick-up in activity in the Caribbean area makes that target more feasible.

At the same time, the government is working to further rein in its budget deficit, which narrowed to an estimated 6.9 percent of GDP in the fiscal year from 11.0 percent in the previous period. By dint of an overhaul in the structure of public expenditures and an expansion in the tax base, the shortfall is projected to narrow to around 1.5 percent of GDP over the next five years. But looking forward to the celebration later this year of the 50th anniversary of Barbados's independence from Britain, with whom the island continues to enjoy prosperous relations, Prime Minister Freundel Stuart prefers to focus on the island's achievements in creating a social safety net, healthcare and education that have little to envy other countries while producing international stars such as Rihanna. “The major resource upon which we have always been able to depend is our human capital,” he says.



Independence and self-fulfilment

Barbados's economic achievements since independence, 50 years ago, are palpable. But for Prime Minister Freundel Stuart, “countries are not remembered for their GDP” but for their ability to draw on their human capital. Barbadians have a strong sense of their own worth and, as Stuart points out, “there are many other Rihannas” out there.



Photo: Office of the prime minister

Daring to make a difference

Freundel Stuart first served as deputy prime minister in 2008, taking on the role of acting prime minister of Barbados in May 2010 when the former incumbent, David Thompson, became ill. Following the death of his predecessor, he was named prime minister of Barbados in October 2010, and was subsequently re-elected to the post in 2013

What is your vision for the continuing development of the economy?

The national vision of Barbados is really of sustainable development. We want to create a Barbados that is socially balanced, economically viable, environmentally sound, and characterised by good governance.

How do you see the future of the UK-Barbados relationship?

There is an organic link between Barbados and the United Kingdom, with 339 unbroken years of colonialism. Britain is our top source market for tourism and investment, and we will do what we have to do from this end to ensure that this relationship is strengthened.

What kind of legacy would you like to leave?

When one assumes leader-

ship of a country, it is not to impose one's own vision of the future on the country. If you want to succeed and you really want to make a difference, necessity requires that you ask yourself, “What in this particular context is the question that history is calling me to answer, and what is the problem that history is calling me to solve?”

I became prime minister at a time when Barbados was feeling the full effects of the global financial meltdown, and I had to try to keep Barbados stable. I have had to try to ensure that Barbadians do not lose faith in the present and more importantly in the future. Ultimately, any leader has to be concerned about building a strong national character, giving people a clear sense of who they are, why they are here, having them understand that they have a contribution to make.

“What the British people have achieved gives them an imperishable renown, and we want this for Barbados”

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Building on historical ties

If anything, ties between Barbados and Britain since the former

UK colony's independence have strengthened

Barbados modelled many of its state institutions on the British paradigm, while the UK remains the island's main market for investment and tour-

ism. There are also strong family and cultural ties. Some 10 percent of the island's population moved to Britain after World War II and the return of some of that diaspora has strengthened those links.

“Barbados continues to value and emphasise its historical bonds with the UK”

Guy Arlington Kenneth Hewitt
British high commissioner to Barbados